



0000057977

ORIGINAL

3056

BEFORE THE

ATION COMMISSION RECEIVED

COMMISSIONERS
 MARC SPITZER - Chairman
 JIM IRVIN
 WILLIAM A. MUNDELL
 JEFF HATCH-MILLER
 MIKE GLEASON

Arizona Corporation Commission

DOCKETED

AUG 04 2003

2003 AUG -4 A 8:42

CORP COMMISSION
DOCUMENT CONTROL

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF
 GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.
 FOR A RATE INCREASE.

DOCKET NO. E-01749A-02-0701

IN THE MATTER OF THE APPLICATION OF
 GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.
 FOR APPROVAL OF LONG-TERM DEBT.

DOCKET NO. E-01749A-02-⁰⁹²⁶~~0701~~

NOTICE OF FILING

Staff of the Arizona Corporation Commission ("Staff") hereby provides notice of filing the
 summaries of testimony for Staff Witnesses Crystal Brown, Erinn Andreasen, of the Utilities
 Division and Prem Bahl, of the Engineering Division.

RESPECTFULLY SUBMITTED this 4 day of August 2003.

David M. Ronald
 Attorney, Legal Division
 Arizona Corporation Commission
 1200 West Washington Street
 Phoenix, Arizona 85007
 (602) 542-3402
 e-mail: dronald@cc.state.az.us

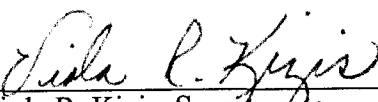
Original and fifteen (15) copies
 of the foregoing filed this
4 day of August 2003 with:

Docket Control
 Arizona Corporation Commission
 1200 West Washington Street
 Phoenix, Arizona 85007

1 Copies of the foregoing mailed
2 this 4 day of August 2003 to:

3 Jane L. Rodda
4 Hearing Officer
5 400 West Congress
6 Tucson, Arizona 85701-1347

7 Russ Barney
8 Graham County Electric Cooperative, Inc.
9 Post Office Drawer B
10 Pima, Arizona 85543

11 
12 _____
13 Viola R. Kizis, Secretary to
14 David M. Ronald

**WITNESS SUMMARY
DIRECT TESTIMONY OF ERINN ANDREASEN
GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.
DOCKET NO. E-01749A-02-0701**

Ms. Andreasen's testimony makes recommendations regarding the Utilities Division Staff's ("Staff") position regarding Graham County Electric Cooperative's application for a general rate increase on the subjects of the base cost of power, purchased power adjustor ("PPA") and bank balance, revenue allocation and rate design, unbundled tariffs, and a miscellaneous issue. Staff has the following recommendations:

1. Staff recommends that the base cost of purchase power be set at \$.060034 per kWh.
2. Staff recommends that Graham should recalculate its PPA rate to reduce its over or under collections when the bank balance becomes over or under collected by \$275,000.
3. Staff recommends that the rates proposed by Staff and summarized on exhibit EAA-1 be approved.
4. Staff recommends that the changes to Graham's service related charges be approved.
5. Staff recommends that the proposed unbundled rates summarized on exhibit EAA-3 be approved.
6. Staff recommends that Graham's Environmental Portfolio Surcharge tariff become permanent.

WITNESS SUMMARY
DIRECT TESTIMONY OF CRYSTAL S. BROWN
GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.
DOCKET NO. E-01749A-02-0701

Staff recommends a \$469,115, or 4.47 percent, revenue increase from \$10,494,156 to \$10,963,271. Staff's proposed revenue increase would produce an operating margin of \$1,066,758 and a net margin of \$529,976 for a 7.49 percent rate of return on an original cost rate base of \$14,247,107. Staff's recommended revenue provides a 1.5 TIER.

Ms. Brown's testimony addresses the following issues:

Plant In Service – Staff decreased plant in service by \$1.47 million to remove the Cooperative's pro forma adjustment to include post-Test Year ("PTY") plant (plant not in service by the end of the Test Year) in rate base.

Depreciation Expense – Staff decreased depreciation expense by \$19,761 as a net result of removing depreciation expense on PTY plant and reflecting one full year of depreciation expense on Test Year end plant.

Accumulated Depreciation – Staff decreased accumulated depreciation by \$50,548 to remove the Cooperative's pro forma adjustment to recognize depreciation of PTY plant.

Customer Deposits – Staff increased customer deposits by \$87,632 to reflect the Test Year end balance.

Cash Working Capital – Staff decreased cash working capital by \$546,765 because the Cooperative did not provide a lead-lag study to support the amount proposed. The Commission has previously ordered the Cooperative to perform a lead-lag study to support its cash working capital allowance.

Intangible Rate Base – Staff removed the Cooperative's \$3,060 intangible rate base amount since it is a double count of intangible plant included in utility plant in service.

Margin Revenue – Staff increased Test Year margin revenue by \$4,567 to reinstate street light revenue removed by the Cooperative.

Base Cost of Power Revenue – Staff increased the Base Cost of Power Revenue by \$507,838 to match the Cooperative's proposed Base Cost of Power Expense. Staff decreased the Base Cost of Power

1 Revenue by \$153,026 to reflect Staff's reduction in the base cost of power from \$0.0614576 per kWh to
2 \$0.060034 per kWh. The two adjustments resulted in a \$354,812 net increase.

3 Purchased Power Expense – Staff decreased purchased power expense by \$153,026 to reflect a
4 reduction in the base cost of power from \$0.0614576 per kWh to \$0.060034 per kWh.

5 Property Tax Expense – Staff decreased property tax expense by \$24,410 as a result of removing
6 property taxes on PTY plant.

7 Interest on Long-term Debt – Staff decreased interest expense on long-term debt by \$110,288 to
8 remove interest expense that was not incurred during the Test Year.

9 Capital Credit – Staff decreased the capital credits by \$17,567 as a result of normalizing the cash
10 capital credits received from Graham Electric's investments over five years.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

4
5
6
7
8

9
10
11
12

13
14

- 15
16
17
18
19
20
21
22
23
24
25
26
27
28